



State of California

Employment Training Panel

Arnold Schwarzenegger, Governor

January 27, 2010

Lynn Levoy, Director, Human Resources
Arlon, Inc.
2811 S. Harbor Blvd.
Santa Ana, CA 92704

Dear Ms. Levoy:

RE: Final Monitoring Visit Report for Arlon, Inc. – ET09-0453

Date of the Visit:	1/19/10
Beginning/Ending Time:	10:00 a.m. – 11:45 a.m.
Date of Last Visit:	6/11/09
Visit Location:	Santa Ana
Persons in attendance:	Lynn Levoy, HR Director, Arlon; Donna Bartlett, CEO, Spectra Consulting, LLC (Administrative Subcontractor); and Krista Campion, Contract Analyst, Employment Training Panel
Action Required:	No

CONTRACT INFORMATION

Term of Agreement:	3/02/09 – 3/01/11	Agreement Amount:	\$260,295
Training Start Date:	3/09/09	No. to Retain:	185
Date Training must be Completed:	12/01/10	Range of Hours:	24 – 200
Type of Trainee:	Retrainee	Weighted Ave. Hours:	92

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FINAL REPORT SUMMARY

• HISTORY OF AGREEMENT CHANGES

The Agreement was executed on 3/19/09. Training commenced on 3/09/09 and the last day of ETP training was 11/16/09, which allows for the 90-day retention period to be completed within the term of the Agreement – 3/01/11.

There were no Modifications or Amendments processed for this Agreement.

• INTERVIEW WITH LYNN LEVOY, DIRECTOR HUMAN RESOURCES AND KATHY MILLS, HR MANAGER

This project was designed to provide Continuous Improvement job skills training for approximately 185 Administrative/Accounting Staff, Customer Service Staff, Sales & Marketing Staff, Research & Development Staff, Production Support Staff, and Supervisor/Managers at both Arlon facilities in California.

Ms. Levoy reported that the training was very effective and beneficial to the company. Ms. Mills reported that Arlon conducted a total of 30 Kaizen events during 2009 which focused on streamlining the Administration, Marketing, Customer Service, Sales and Accounting areas of the company. As a result, the Lean Manufacturing training and the Kaizen Events training resulted in process improvements in customer invoicing, order entry, inventory management, and planning and scheduling. Ms. Levoy reported that as a result of the training, the company is more productive and efficient, and employees are more empowered to make decisions and suggest further process improvements in their work areas.

Ms. Levoy stated that she attributes the success of this project to a commitment to training, a culture change at the company in valuing training, and top corporate support for the training. As a result of the efforts of the training manager, all training under this Agreement was completed early and the company projects to earn 99% of the Agreement amount.

PROJECT STATUS PROVIDED BY THE CONTRACTOR

Trainees Started Training:	135	Completed Training:	85
Trainees Enrolled:	120	Completed Retention:	75
Dropped Following Enrollment:	35	In Retention Period:	10
No. Completed Minimum Reimbursable Hours:	85		

PROJECTED EARNINGS / NUMBER TO RETAIN

The ETP on-line tracking system reflects that 85 retrainees (46% of planned trainees) have completed from 39 to 200 hours of class/lab training and Ms. Levoy projects that all will complete the 90-day retention period. The per trainee reimbursement for class/lab training is based on the total actual number of training hours completed for each trainee, provided the minimum (24) and no more than the maximum (200) class/lab training hours are completed, and all other Agreement terms and conditions are met.

Eighty of the 85 retrainees referenced above have each completed 200 hours of ETP training, and the remaining five retrainees have completed from 39 to 198 hours of training for a grand total of 16,829 hours of training. **This equates to a potential reimbursement of \$257,483 (including a 15% substantial contribution) assuming that all Agreement performance requirements are met.** This amount is approximately 99% percent of the Agreement amount.

Note: Although the company trained fewer trainees than the number specified in the Agreement of 185, the average number of training hours provided was 198 hours per person, which is higher than the average specified in the Agreement of 92 hours.

CLOSEOUT INVOICE

Ms. Bartlett projects to submit the final closeout invoice to ETP by the end of February 2010, which is well before the end term date of the Agreement of 4/05/11. To date, Arlon has been reimbursed by ETP a total of \$72,214 in *unearned* progress payments, and currently has \$226,974 final payments in review (*earned in process*).

ATTENDANCE ROSTERS

Attendance Rosters reviewed:	10 trainees' rosters covering 3/09/09 – 11/16/09	Rosters reviewed contained all the required information per Title 22, California Code of Regulations, Section 4442.	YES
Information contained in rosters reviewed was consistent with the hours reported on-line?			*NO (see explanation below)

*** TRAINEES WHO EXCEED 10-HOURS OF TRAINING PER DAY**

The ETP on-line tracking system 10-Hour Report reflects that nine retrainees have each received 16 hours of training on 6/24/09 and one retrainee has received 16 hours of training on 6/22/09 and 6/24/09. Ms. Bartlett reported that these were inadvertent data-entry errors and that the training classes held on 6/22/09 and 6/24/09 were eight hours in length, not 16. However, since these retrainees have already been billed for

Progress Payment 2 (completion of training) at 200 class/lab training hours each, Ms. Bartlett was unable to make the necessary corrections to the tracking system and it initially appeared that Arlon had been overpaid for these retrainees.

Prior to the Monitoring visit, Ms. Bartlett informed Ms. Campion that the aforementioned 10 retrainees have each received more than 200 hours of ETP training. **Following a review of training documentation during the visit, Ms. Campion verified that each of the trainees listed on the 10 hours report has completed and documented more than 200 hours of ETP training. As a result, the earned amount for these retrainees will not change as a result of this finding, and no further action is necessary.**

AUDIT

Arlon, Inc. will be notified in writing if this Agreement is selected for an audit, conducted either at your site (field audit) or by telephone (desk audit or "review"). The Audit Notification and Audit Confirmation letters will be sent in advance to allow ample preparation time and will include a list of documents that will be examined by the auditor. To provide support of training, original training attendance documentation is required; photocopied records are not acceptable. Listed below are types of records typically requested during an ETP field audit:

- Training attendance records such as rosters, sign-in sheets, etc.
- Payroll records of individual trainees to verify wage and hours worked
- Personnel records regarding occupation and dates of employment
- Documentation of employer paid health benefits (if applicable)
- Cash receipts to verify receipt and accounting of ETP funds

RECORD RETENTION

Records must be retained within your control and be available for review at your place of business within the State of California. This responsibility will terminate no sooner than four (4) years from the date of the termination of the Agreement or three (3) years from the date of the last payment by ETP to the Contractor, or the date of resolution of appeals, audits, claims, exceptions, or litigation, whichever is later.

If you have any questions or comments regarding the information in this letter, please contact Ms. Campion at 619-686-1917, or at kcampion@etp.ca.gov, within ten (10) working days from the receipt date of this letter.

Sincerely,



Diana Torres, Manager

San Diego Regional Office

A handwritten signature in black ink, appearing to read "Krista Campion". The signature is fluid and cursive, with a long horizontal stroke at the end.

Krista Campion, Contract Analyst
San Diego Regional Office

cc: Donna Bartlett, Spectra Consulting, LLC
Kulbir Mayall, ETP Fiscal Manager
Master File
Project File
Final Report File